

## Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 EB-07 L-03 PRS-01 COME-00 FEA-01 OPIC-06

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DRAFTED BY ARA:NC:TWSONANDRES

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R 311659Z OCT 75

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

UNCLAS STATE 258317

E.O. 11652: N/A

TAGS: PFOR, ENRG, VE, US

SUBJECT: PRESS GUIDANCE ON VENEZUELAN OIL NATIONALIZATION

1. FOLLOWING GUIDANCE PREPARED FOR THE DEPARTMENT SPOKESMAN AT THE NOON PRESS BRIEFING OCTOBER 30, ALTHOUGH NO QUESTIONS ASKED. EMBASSY SHOULD DRAW UPON GUIDANCE ON AN IF-ASKED BASIS ONLY. QUOTE:

Q: HAS THE NATIONALIZATION OF VENEZUELA'S OIL INDUSTRY NOW BEEN COMPLETED?

A: NO. OCTOBER 28 WAS THE DEADLINE BY WHICH THE OIL COMPANIES WERE TO NOTIFY THE VENEZUELAN GOVERNMENT OF THEIR ACCEPTANCE OR REJECTION OF THE COMPENSATION OFFERS MADE TO THEM. THEIR REPLIES WILL NOW BE CONSIDERED AND AGREEMENTS DRAWN UP OR EXPROPRIATION PROCEEDINGS INITIATED AS PROVIDED BY THE LAW TO DETERMINE COMPENSATION. BY LAW, THE ENTIRE PROCESS OF NATIONALIZATION IS TO BE COMPLETED BY  
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JANUARY 1, 1976.

Q: HOW DOES THIS POLICY APPLY HERE?

A: THE US GOVERNMENT HAS TAKEN NO PUBLIC POSITION ON THIS  
ATTER.

Q: DID THE COMPANIES ACCEPT OR REJECT THE COMPENSATION

OFFERS?

A: ACCORDING TO THE VENEZUELAN GOVERNMENT, ALL OIL  
COMPANIES SUBJECT TO THE NATIONALIZATION ACCEPTED THE  
COMPENSATION OFFER EXCEPT OCCIDENTAL AND EL PASO-VENEZUELA.  
OCCIDENTAL IS THE OBJECT OF CERTAIN BRIBERY CHARGES,  
THE VALIDITY OF WHICH ARE NOT ESTABLISHED. EL PASO  
WHICH HAS A MINOR HOLDING IN A CONCESSION, DID NOT REPLY  
TO ITS COMPENSATION OFFER.

Q: WHAT IS THE POSITION OF THE STATE DEPARTMENT?

A: AS IS WELL KNOWN, OUR POSITION IN THE CASE OF EXPRO-  
PRIATION OF FOREIGN PROPERTY IS THAT INTERNATIONAL LAW  
REQUIRES THAT IT BE NON-DISCRIMINATORY, FOR A PUBLIC  
PURPOSE, AND ACCOMPANIED BY PROMPT, ADEQUATE AND EFFEC-  
TIVE COMPENSATION.

Q: HOW, IN WHAT FORM, WILL THE VENEZUELAN GOVERNMENT  
MAKE THE PAYMENTS TO THE COMPANIES?

A: THE PAYMENT WILL BE MADE IN BONDS.

Q: WHAT PROVISIONS HAVE BEEN MADE FOR THE CONTINUED  
FLOW OF OIL TO THE US? AND WHAT WILL HAPPEN TO FUTURE  
PRICES UNDER THE NATIONALIZED VENEZUELAN OIL INDUSTRY?

A: VENEZUELAN GOVERNMENT LEADERS HAVE REPEATEDLY STATED  
THAT VENEZUELAN OIL WILL CONTINUE TO FLOW TO THE NATION'S  
TRADITIONAL CUSTOMERS AFTER NATIONALIZATION. AS TO  
PRICES, THERE IS NO INDICATION THAT VENEZUELA WILL DEPART  
FROM OPEC PRICE LEVELS.

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Q: WHAT DO SERVICE AND TECHNICAL ASSISTANCE CONTRACTS  
ACTUALLY CONSIST OF? DOES THIS INVOLVE FURTHER EXPLORA-  
TION, PRODUCTION, REFINING, MARKETING, OR WHAT?

A: WE UNDERSTAND THAT SERVICE AND TECHNICAL ASSISTANCE  
CONTRACTS WILL PROVIDE VENEZUELA CONTINUING ACCESS TO  
VALUABLE OIL-INDUSTRY TECHNOLOGY. UNDER SUCH CONTRACTS,  
FORMER CONCESSIONAIRES WILL CONTINUE TO PROVIDE

TECHNICAL ASSISTANCE IN RETURN FOR A STIPULATED FEE PER BARREL OF OIL. SUCH ASSISTANCE COULD BE IN ANY OF THE SUGGESTED FIELDS.

Q: IS THE DEPARTMENT APPREHENSIVE THAT THE DEVELOPMENTS IN VENEZUELA MAY HAVE REVERBERATIONS THROUGHOUT THE WORLD AND MAY SPEED NATIONALIZATION OF US INVESTMENTS

IN OTHER COUNTRIES?

A: DEVELOPMENTS IN VENEZUELA ARE OBVIOUSLY WATCHED WITH INTEREST THROUGHOUT THE WORLD OIL INDUSTRY. EACH INDIVIDUAL COUNTRY SITUATION IS DIFFERENT, HOWEVER.

Q: WHAT ABOUT OCCIDENTAL OIL COMPANY?

A: OCCIDENTAL HAS BECOME A SPECIAL CASE. THE VENEZUELAN GOVERNMENT HAS REACTED TO PUBLIC ALLEGATIONS OF BRIBERY ON THE PART OF OCCIDENTAL BY SUSPENDING THE NORMAL PROVISIONS AND PROCEDURES OF NATIONALIZATION PENDING A CLARIFICATION OF THOSE ALLEGATIONS. KISSINGER

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